Xin Xin Engineering Sdn Bhd & Anor v Fukuyama Automation Sdn Bhd & Ors

HIGH COURT (SHAH ALAM) — CIVIL SUIT NO 22NCVC-163–03 OF 2014
HADHARIAH SYED ISMAIL J
23 SEPTEMBER 2015

Copyright — Infringement — Ownership of copyright — Plaintiffs were registered owners of copyright — Plaintiffs sued defendants for infringement of copyright — Whether plaintiffs tendered original operation manual and certificate of warranty — Whether defendants reproduced operation manual — Whether reproduction of operation manual lawful — Whether operation manual confidential information — Whether defendants infringed copyright of operation manual — Whether defendants breached their duty of confidentiality to plaintiffs — Whether plaintiffs entitled to exemplary damages — Copyright Act 1987

Tort — Conspiracy — Proof of — Plaintiffs claimed damages on basis of conspiracy by defendants — Whether there was conspiracy between defendants against plaintiffs

This was an action filed by the plaintiffs against the defendants for infringement of copyright in the works titled 'Operation Manual' ('the operation manual') for a product known as 'Mechanical Glove Stripping Machine' ('the machine'). The second plaintiff was the owner and director of the first plaintiff. Both of the plaintiffs were the owners of the copyright of the operation manual as well as the machine. The original copy of the operation manual had the second plaintiff's name and address printed on almost every page of it. Without the knowledge and consent of the plaintiffs, the fifth defendant had photocopied the operation manual and handed it to the second defendant. The photocopied operation manual had the second plaintiff's name cancelled and replaced with the fourth and seventh defendants' name. The first defendant then used the photocopied operation manual to sue the plaintiffs for infringement of its patent. In defence, the plaintiffs contended that the patent was invalid and counterclaimed against the defendants based on the invalid patent, copyright infringement and other rights. The court in the patent action instructed the plaintiffs to file a separate suit for copyright infringement against the defendants. At the conclusion of the patent action, the defendants obtained an injunction against the plaintiffs which prohibited the plaintiffs from manufacturing and selling the glove stripping machine. Consequently, the plaintiffs suffered losses and sued the defendants for infringement of its

copyright in the operation manual, breach of confidentiality and tort of conspiracy. The plaintiffs also claimed for exemplary damages against the defendants. In defence, the defendants submitted that the plaintiffs were not the copyright owners and there was no copyright infringement because the operation manual was used in a judicial proceeding. Further, it was argued that the operation manual was not confidential information. Lastly, the defendants alleged that there was no conspiracy to obtain information from the plaintiffs for the defendants' benefit.

Held, allowing the claim with costs of RM40,000:

(1) The court disagreed with the defendants' contention that the plaintiffs had failed to tender the original operation manual and certificate of warranty. The copy of the operation manual annexed to the statutory declaration was the true copy of the works in the sense that it was authored by the second plaintiff together with his employees. There was no rebuttal evidence from the defendants. Pursuant to s 42(1) of the Copyright Act 1987 ('the Act'), the plaintiffs had prima facie proof that copyright subsisted in the operation manual and that the plaintiffs were the owners of the copyright (see paras 11–12).

(2) The court found that the original operation manual were substantially similar to the infringed copy. The only difference was that the second plaintiff's name had been cancelled. This fact conclusively proof that the defendants had reproduced the infringed copy from the original copy (see para 19).

(3) On the facts, the first defendant had used the second plaintiff's operation manual and certificate of warranty against the plaintiffs to obtain an interlocutory injunction and interfere with the plaintiffs' business. The first defendant's purpose was to cause harm and hardship to the very owner of the copyright and to make profit for themselves. This was not a lawful purpose. The first defendant also did not disclose the true author of the operation manual when they cancelled the second plaintiff's name. Further, the first defendant also had not obtained the consent from the second plaintiff. Based on the facts, the reproduction made by the defendants was unlawful as the requirements under s 13(2)(l) of the Act were not satisfied. Thus, the first defendant was not protected under the provision (see para 21).

(4) The evidential proof of conspiracy in this case was circumstantial in nature. Based on the facts, the plaintiffs had proved that the first defendant could not have sued the plaintiffs without there being a conspiracy between all the defendants. It was impossible for the plaintiffs to identify the role of each defendant in the conspiracy. Consequently, the court held that all the defendants were liable to the plaintiffs (see para 24).

(5) There could be no doubt that the operation manual was the plaintiffs' trade secret as the first defendant had sued the plaintiffs claiming for patent's right over the same operation manual. Therefore, it was incorrect for the defendants to argue that the operation manual was not confidential information simply because it was easily accessible by any third party. Thus the fourth, fifth, sixth, seventh and eighth defendants had breached their duty of confidentiality to the plaintiffs for the unlawful use of the operation manual (see para 27).

(6) The court considered the manner in which the infringement took place and the profit of RM2.3m made by the first defendant from the selling of the glove stripping machine and held that the defendants must be made liable to pay exemplary damages to the plaintiffs (see para 29).

[Bahasa Malaysia summary

Ini merupakan satu tindakan yang difailkan oleh plaintif-plaintif terhadap defendan-defendan atas dakwaan pelanggaran hak cipta dalam kerja-kerja bertajuk 'Manual Operasi' ('manual operasi') untuk produk yang dikenali sebagai 'Mechanical Glove Stripping Machine' ('mesin'). Plaintif kedua adalah pemilik dan pengarah plaintif pertama. Kedua-dua plaintif merupakan pemilik hak cipta manual operasi dan juga mesin. Salinan asal manual operasi mempunyai nama dan alamat plaintif kedua dicetak pada hampir setiap halaman manual tersebut. Tanpa pengetahuan dan persetujuan plaintif-plaintif, defendan kelima telah memfotokopi manual operasi dan menyerahkannya kepada defendan kedua. Manual operasi salinan yang difotokopi mempunyai nama plaintif kedua itu dibatalkan dan digantikan dengan nama defendan keempat dan ketujuh. Defendan pertama kemudiannya menggunakan manual operasi salinan fotokopi untuk mendakwa plaintif-plaintif untuk pelanggaran patennya. Dalam pembelaan, plaintif-plaintif menegaskan bahawa paten tersebut tidak sah dan menuntut balas terhadap defendan-defendan berdasarkan paten yang tidak sah, pelanggaran hak cipta dan hak-hak lain. Mahkamah dalam tindakan paten mengarahkan plaintif untuk memfailkan guaman yang berasingan untuk pelanggaran hak cipta terhadap defendan-defendan. Pada akhir tindakan paten, defendan-defendan memperoleh injunksi terhadap plaintif-plaintif yang melarang plaintif-plaintif daripada membuat dan menjual mesin melucutkan sarung tangan. Sehubungan dengan itu, plaintif-plaintif mengalami kerugian dan menyaman defendan-defendan untuk pelanggaran hak cipta dalam manual operasinya, pelanggaran kerahsiaan dan tort konspirasi. Plaintif-plaintif juga menuntut ganti rugi teladan terhadap defendan-defendan. Dalam pembelaannya, defendan-defendan berhujah bahawa plaintif bukanlah pemilik hak cipta dan tiada pelanggaran hak cipta kerana manual operasi tersebut digunakan dalam prosiding kehakiman. Seterusnya, defendan-defendan berhujah bahawa manual operasi bukanlah maklumat sulit. Akhir sekali, defendan-defendan mendakwa bahawa tiada

konspirasi untuk mendapatkan maklumat daripada pihak plaintif-plaintif untuk faedah defendan-defendan.

Diputuskan, membenarkan tuntutan dengan kos sebanyak RM40,000:

(1) Mahkamah tidak bersetuju dengan hujahan pihak defendan bahawa plaintif telah gagal untuk mengemukakan manual operasi asal dan sijil jaminan. Salinan manual operasi yang dilampirkan kepada akuan berkanun adalah salinan sebenar kerja-kerja dalam erti kata bahawa salinan tersebut diubah oleh plaintif kedua bersama-sama dengan pekerja-pekerjanya. Tiada bukti bantahan daripada defendan-defendan. Menurut s 42(1) Akta Hakcipta 1987 ('Akta'), plaintif mempunyai bukti prima facie bahawa hakcipta wujud dalam manual operasi dan bahawa plaintif adalah pemilik hak cipta (lihat perenggan 11–12).

(2) Mahkamah mendapati bahawa manual operasi asal adalah amat serupa dengan salinan yang melanggar. Satu-satunya perbezaan adalah bahawa nama plaintif kedua itu telah dibatalkan. Fakta ini secara konklusif membuktikan bahawa defendan-defendan telah menerbitkan semula salinan yang melanggar daripada salinan asal (lihat perenggan 19).

(3) Menurut fakta-fakta, defendan pertama telah menggunakan manual operasi plaintif kedua dan sijil jaminan terhadap plaintif-plaintif untuk mendapatkan injunksi interlokutori dan mengganggu perniagaan plaintif. Tujuan defendan pertama adalah untuk menyebabkan kemudaratan dan kesusahan kepada pemilik hak cipta dan untuk mencari keuntungan untuk diri mereka sendiri. Ini bukanlah satu tujuan yang sah. Defendan pertama juga tidak mendedahkan pengarang sebenar manual operasi apabila mereka membatalkan nama plaintif kedua. Seterusnya, defendan pertama juga tidak mendapat kebenaran daripada plaintif kedua. Berdasarkan fakta-fakta, penghasilan semula yang dibuat oleh defendan adalah tidak sah kerana keperluan di bawah s 13(2)(l) Akta tidak dipenuhi. Oleh itu, defendan pertama tidak dilindungi di bawah peruntukan tersebut (lihat perenggan 21).

(4) Bukti keterangan konspirasi dalam kes ini adalah bersifat mengikut keadaan. Berdasarkan fakta, plaintif-plaintif telah membuktikan bahawa defendan pertama tidak boleh menyaman plaintif tanpa ada konspirasi di antara semua defendan. Adalah mustahil untuk plaintif-plaintif mengenal pasti peranan setiap defendan dalam konspirasi. Oleh itu, mahkamah memutuskan bahawa semua defendan bertanggungjawab terhadap plaintif-plaintif (lihat perenggan 24).

(5) Tiada keraguan bahawa manual operasi tersebut adalah rahsia perdagangan plaintif memandangkan defendan pertama telah menyaman plaintif-plaintif yang menuntut hak paten ke atas manual operasi yang sama. Oleh itu, adalah salah untuk defendan berhujah

bahawa manual operasi bukanlah maklumat sulit hanya kerana manual operasi tersebut mudah diakses oleh mana-mana pihak ketiga. Oleh itu, defendan keempat, kelima, keenam, ketujuh dan kelapan telah melanggar tugas kerahsiaan mereka kepada plaintif untuk penggunaan manual operasi yang menyalahi undang-undang (lihat perenggan 27).

(6) Mahkamah menimbangkan cara di mana pelanggaran berlaku dan keuntungan RM2.3 juta yang dibuat oleh defendan pertama daripada penjualan mesin melucutkan sarung tangan dan memutuskan bahawa defendan hendaklah dijadikan bertanggungjawab untuk membayar ganti rugi teladan kepada plaintif-plaintif (lihat perenggan 29).]

Notes

For a case on ownership of copyright, see 3(4) *Mallal's Digest* (5th Ed, 2015) para 7629.

For cases on proof of conspiracy, see 12(1) *Mallal's Digest* (5th Ed, 2015) paras 120–122.

Cases referred to

Creative Technology Ltd v Aztech Systems Pte Ltd [1997] FSR 491, CA (refd)

Electro Cad Australia Pty Ltd & Ors v Mejati Rcs Sdn Bhd & Ors [1998] 3 MLJ 422, HC (refd)

MGG Pillai v Tan Sri Dato Vincent Tan Chee Yioun & other appeals [1995] 2 MLJ 493, CA (folld)

MediaCorp News Pte Ltd & Ors v MediaBanc (Johor Bharu) Sdn Bhd & Ors [2010] 6 MLJ 657, HC (refd)

Microsoft Corp v Conquest Computer Centre Sdn Bhd [2015] 7 MLJ 243; [2014] 6 CLJ 876, HC (refd)

Rookes v Barnard and Others [1964] AC 1129, HL (refd)

Spectravest Inc v Aperknit Ltd [1988] FSR 161, Ch D (refd)

University of Waikato v Benchmarking Services Ltd [2004] NZCA 90, CA (refd)

Legislation referred to

Competition Act 2010

Copyright Act 1987 ss 7, 13(2)(a), (2)(b), (2)(c), (2)(d), (2)(e), (2)(f), (2)(g), (2)(h), (2)(i), (2)(j), (2)(k), (2)(l), (2)(m), (2)(n), (2)(o), (2)(p), 42, 42(1), (1)(a)(iii), 73(2)

Evidence Act 1950 s 114(g)

Ravin Woodhull (Huei with him) (Huei & Co) for the plaintiffs.
KC Ang (CP Ang & Co) for the defendants.

Hadhariah Syed Ismail J:

INTRODUCTION

[1] The plaintiffs are the owners of the product known as 'Mechanical Glove Stripping Machine' ('the machine'). They are also the owners of the copyright in the works titled 'Operation Manual' which described the machine and machine parts to customers. The original copy of the operation manual had the second plaintiff's name and address printed on almost every page of it. Without the knowledge and consent of the plaintiffs, the fifth defendant had copied the whole of the operation manual and handed it to the second defendant. The photocopied operation manual had the second plaintiff's name cancelled and replaced with the fourth and seventh defendants' name. The first defendant used the photocopied operation manual to sue the plaintiffs for infringement of its patent and obtained an injunction against the plaintiffs. The injunction prohibited the plaintiffs from manufacturing and selling the glove stripping machine. As a result the plaintiffs suffered losses. The plaintiffs sued the defendants for infringement of its copyright in the operation manual, breach of confidentiality and tort of conspiracy. In their defence, the defendants alleged the plaintiffs are not the copyright owners; there was no copyright infringement because the operation manual is used in a judicial proceedings and there was no conspiracy.

[2] Reliefs claimed by the plaintiffs:

(a) a permanent injunction to restrain the defendants whether by themselves or by employees, directors or anyone else from imitating or copying or reproducing without license the plaintiffs' operation manual which also contains 'Operation Manual, Drawings, Certificate of Warranty, Product Warranty and Plaintiffs' Price';

(b) an injunction to restrain the fourth, fifth, sixth, seventh and eighth defendants from doing, as regards the first, second and third defendants, either by himself/herself or his/her servants or agents or any of them howsoever, and in regards to Top Glove Sdn Bhd, whether by the directors, officers, servants or agents or any of them howsoever, any of the following acts or any of them, namely printing without license the operation manual belonging to the plaintiffs consisting of operation manual, drawing, certificate of wararnty, product warranty and the plaintiffs' price;

(c) an injunction to prevent the fourth, fifth, sixth, seventh and eighth defendants from doing, as regards to the first, second and third defendants, whether by himself/herself or his/her servants or agents or any of them howsoever, and in relation to Top Glove Sdn Bhd, whether by the directors, officers, servants or agents or any of them howsoever,

any of the following acts or any of them, from doing the following actions or any one of them without license from the plaintiff, namely, trade, sell, expose or offer for sale any Instruction Manual entitled 'Operation Manual-Mechanical Glove Stripping Machine' which also includes operation manual, drawings, certificate of warranty, product warranty and the plaintiffs' price list in the course of business;

(d) an injunction to restrain the first, fifth and fourth defendants whether by himself/herself or his/her servants or agents or any of them howsoever, from doing the following acts which is: import into Malaysia, manufacture, own or have a business without license from the plaintiff for the Mechanical Glove Stripping Machine belonging to the plaintiff or similar designs and is epitome of the design of plaintiffs' 'Railing System', 'Mechanical Stripping Machine Frame', 'Y-Guide Bracket' and the defendants cannot export glove stripping machine and its operation manual with similar features;

(e) an order for the defendants to deliver up all operation manuals which are in the possession, power, custody and control of the defendants;

(f) an inquiry as to damages for infringement of copyright, including additional statutory damages under s 73(2) of the Copyright Act 1987, or at the plaintiffs' option, an account of profits;

(g) statutory damages of RM25,000 for each work of drawing or literature for operation manual, for each of the 'Railing System', 'Mechanical Stripping Machine Frame' and 'Y-Guide';

(h) a declaration that the actions of the defendants individually and collectively using an invalid patent to bring the patent infringement action is prohibited under Competition Act 2010 and by using Patent No MY-124182-A entitled 'Apparatus for peeling off thin film material' and allegedly claims to be the rightful owner of the patent by the deed of assignment is invalid;

(i) a permanent injunction to restrain the defendants whether by himself/herself or his/her servants or agents or any of them howsoever, from interference in future or the tort of conspiracy to discredit the plaintiff or tortious business interference against the plaintiffs and their clients;

(j) a permanent injunction to restrain the defendants, either personally or through employees, directors or anyone else from contacting the plaintiffs' manufacturers or customers or suppliers;

(k) a permanent injunction to restrain the defendants either personally or through employees, directors or anyone else for not fulfilling the responsibilities of duty of confidentiality or confidence and trade secrets of the plaintiffs;

(l) costs shall be borne by the defendants;

(m) an order for damages to be assessed by the court for losses suffered by the plaintiffs as a result of the tort of conspiracy, tort of inducing breach of contract, tort of interference with business and other torts causing the plaintiffs losing their clients;

(n) aggravated and exemplary damages;

(o) damages to be assessed;

(p) interest;

(q) costs; and

(r) such further or other relief deemed fit and proper by the court.

THE PARTIES

[3] Xin Xin Engineering & Trading was incorporated on 14 August 2003 and deals with manufacturing of iron steel product and glove. The second plaintiff is the owner of Xin Xin Engineering & Trading. Xin Xin Engineering & Trading changed its name to Xin Xin Engineering Sdn Bhd on 22 June 2009 and it deals with construction of civil engineering machinery and equipment. The first defendant is a company that deals in manufacturing, sale and installation of glove stripping machine with its registered address in Ipoh, Perak. The second, third and sixth defendants are directors of the first defendant's company. The first defendant's company is managed by the second defendant. The fourth defendant is a company that carries on the business of manufacturing of industrial plastics and trading in industrial parts. The seventh defendant is a company that carries on the business of industrial supply and engineering works. The fifth, sixth and eighth defendants are directors of the seventh defendant's company. The fourth and seventh defendants' company are managed by the fifth defendant.

THE OPERATION MANUAL

[4] The operation manual consists of the followings:

(a) certificate of warranty Serial No WC 1398 with drawing entitled 'Mechanical Stripping Machine System Layout';

(b) operation manual entitled 'Mechanical Glove Stripping Machine' with Drawing, 'Railing System', 'Mechanical Stripping Machine Frame', 'Y-Guide Bracket'; and

(c) Mechanical Glove Auto Stripping Machine-Spare Part price list.

A BACKGROUND FACTS

[5] The first defendant's involvement in manufacturing of the glove stripping machine started after the first defendant obtained an assignment of Malaysian Patent No MY-124182-A ('the patent') from Fukuyamanentukan Co Ltd. The patent relates to an invention titled 'Apparatus for peeling off thin film material' which is used to manufacture glove stripping machine. Upon obtaining the patent, the first defendant took steps to inform the public. They advertised in the *Star Newspaper* on 12 August 2011, a warning notice to the public in general that any unauthorised act of manufacturing, importing, offering for sale, selling, using and/or stocking of products which are manufactured by the methods claimed and protected by the said patent is an infringement of the patent. Subsequent thereto, the first defendant approached potential glove manufacturing companies to sell their auto strip machines. Initially, the first defendant managed to secure a deal to supply their auto strip machines to Top Glove Sdn Bhd ('Top Golve'). Then, Top Glove discontinued their orders with the first defendant. The first defendant found out later that Top Glove had ordered the machines from the plaintiffs through Esteem Concord Sdn Bhd. By then, the first defendant had formed an opinion that the plaintiffs had infringed the first defendant's patent. The first defendant then instructed its solicitors, Messrs Chong, Surindar, Su & Associates to issue a warning letter dated 16 August 2011 to the plaintiffs. Sometimes in early 2012, the second defendant, Liu Then Tui ('DW3') discovered that the plaintiffs were selling auto stripping machines that infringed the patent to Top Glove at Top Glove's premises at Factory 11 at Lot 4967, Jalan Teratai, Batu 8, Off Jalan Meru, Klang, Selangor and Factory 22 at Lot 4988, D/A Jalan Bunga Raya, Off Jalan Meru, Klang, Selangor. DW3 also found out that the second plaintiff issued an operation manual titled Mechanical Glove Stripping Machine (the operation manual can be found at pp 92–110 of Bundle C) and certificate of warranty for the same (the certificate can be found at pp 79–90 of Bundle C) when he sells his product to his customers. The operation manual is a document which informs the customers how to operate the machine. Certificate of warranty is a guarantee for the product. It is not disputed that the second plaintiff's name Xin Xin Engineering & Trading, its address, its telephone and fax number is clearly stated in almost every page of the operation manual and certificate of warranty. Both the fourth and seventh defendants bought glove stripping machine from the second plaintiff, Xin Xin Engineering & Trading and sell them to their customer. In the instant case, the fourth defendant had ordered two units of glove stripping machine from the second plaintiff, Wong Thiam Fook ('PW1') to sell them to Sama Kejuruteraan Sdn Bhd. Sama Kejuruteraan Sdn Bhd is the fourth defendant's customer. PW1 had given a copy of the operation manual and certificate of warranty to Ang Lee Leong, the fifth defendant herein ('DW1') to be given to Sama Kejuruteraan Sdn Bhd. DW1 is the director and shareholder in the fourth and seventh defendant's company. Unknown to PW1, DW3 had requested and

obtained a copy of the operation manual and certificate of warranty from DW1. In April 2012, the first defendant commenced an action against the plaintiffs in Civil Suit No 22NCVC-489–04 of 2012 at the Shah Alam High Court for infringement of the patent and passing off based on the plaintiff's operation manual ('the patent action'). The plaintiffs filed a defence of non infringement of the patent; that the said patent is invalid and counterclaimed against the first to eighth defendants based on the invalid patent, copyright infringement and other rights. The court in the patent action instructed the plaintiffs to file a separate suit for copyright infringement against the defendants. Hence, the current suit was filed. Pending disposal of the patent action, the first defendant had applied for an interlocutory injunction. In the affidavit in support of the injunction application, the second defendant ('DW3') had deposed the facts giving rise to the infringement of the patent. These facts are stated in paras 11–15 of the said affidavit in support. They are reproduced below:

> 11. Saya menegaskan di sini bahawa syarikat plaintif mempunyai bukti bahawa defendan-defendan, tanpa kebenaran plaintif, telah melanggari Paten tersebut dengan membina, mengeluarkan, membekal, menjual dan/atau menawar untuk menjual peralatan-peralatan yang mengandungi ciri-ciri yang sama serupa dan/atau ciri-ciri yang hamper serupa dengan ciri-ciri yang dituntut dalam rekacipta yang dipatenkan di bawah Paten tersebut.
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> 12. Saya menegaskan di sini bahawa dalam melanggari Paten tersebut, defendan-defendan telah menjual kepada Top Glove Sdn Bhd, peralatan-peralatan yang melanggari paten tersebut dan menempatkan peralatan-peralatan tersebut di kilang-kilang Top Glove Sdn Bhd di Top Glove Factory 11 di Lot 4967, Jalan Teratai, Batu 8, Off Jalan Meru, Klang, Selangor dan di Top Glove Factory 22 di Lot 4988, D/A Jalan Bunga Raya, Off Jalan Meru, Klang, Selangor.
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> 13. Saya menegaskan di sini bahawa dalam melanggari paten tersebut, defendan kedua telah mengeluarkan suatu 'Operation Manual' berhubung Mechanical Glove Stripping Machine untuk tujuan menjual peralatan tersebut kepada pelanggan-pelanggannya. Dikemukakan di sini dan ditunjukkan kepada saya sesalinan 'Operation Manual' tersebut yang ditandakan sebagai Eksibit 'D'.
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> 14. Selanjutnya,dalam melanggari paten tersebut, defendan kedua telah mengeluarkan suatu 'Certificate of Warranty' berhubung Mechanical Glove Stripping Machine yang mengandungi, antara lain, senarai harga untuk peralatan tersebut untuk tujuan menjual dan/atau untuk menawar untuk menjual peralatan tersebut kepada pelanggan-pelanggannya. Dikemukakan di sini dan ditunjukkan kepada saya sesalinan 'Certificate of Warranty' yang ditandakan sebagai Eksibit 'E'.
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> 15. Saya menegaskan di sini bahawa jelas daripada gambar-gambar peralatan defendan-defendan dalam 'Operation Manual' dan 'Certificate of Warranty' tersebut bahawa peralatan defendan kedua mempunyai ciri-ciri yang sama

A serupa dan/atau ciri-ciri yang hampir serupa dengan ciri-ciri yang dituntut dalam rekacipta yang dipatenkan di bawah paten tersebut.

[6] It is an undisputed facts that in both exhs 'D' and 'E', the operation manual and certificate of warranty had the second plaintiff's name, Xin Xin Engineering & Trading crossed out and replaced with abbreviation 'YLPM' almost on every page of the documents. The word 'YLPM' denote Yew Lee Pacific Manufacturer Sdn Bhd, the fourth defendant named in this suit. Both DW1 and DW3 said they do not know who had crossed out the second plaintiff's name and wrote the word YLPM on those documents. But, DW1 had testified that the copy of the operation manual and certificate of warranty which he gave to DW3 had no crossed out words. Despite objection by the plaintiffs, the first defendant managed to obtain an interlocutory injunction on 7 August 2012. Upon obtaining the injunction, the first defendant instructed its solicitors to issue a notice to Top Glove to inform about the injunction obtained against the plaintiffs and to warn them of the consequences of any further dealing with the plaintiffs with respect to the glove stripping machines. On appeal by the plaintiffs, the injunction was set aside by the Court of Appeal on 16 November 2012.

[7] At the trial of the patent action, the first defendant relied on and tendered the operation manual and certificate of warranty relating to the plaintiffs' glove stripping machine in order to prove the first defendant's case for infringement of patent. On conclusion of the trial, the court held the patent is invalid; dismissed the first defendant's claim and allowed the plaintiffs' counterclaim. Against the said decision, the first defendant appealed to the Court of Appeal.

[8] The issues:

(a) whether the plaintiffs is the copyright owner in the operation manual of the glove stripping machine;

(b) whether the defendants have infringed the plaintiffs' copyright;

(c) whether the second to eighth defendant have conspired with the first defendant to use the plagiarised operation manual to sue the plaintiffs in the patent action; and

(d) whether s 13(2)(l) of the Copyright Act 1987 is applicable in this case.

SUBSISTENCE OF COPYRIGHT

[9] To prove the existence of copyright in the operation manual and certificate of warranty, the plaintiffs tendered in court a statutory declaration affirmed by PW1 on 3 May 2013 attaching exhs 2A and 2B as a true copy of the

operation manual and certificate of warranty under Xin Xin Engineering and Trading. The purpose of tendering this statutory declaration is to comply with s 42 of the Copyright Act 1987 ('the Act') which provides as follows:

> 42(1) An affidavit or statutory declaration made before any person having authority to administer oath by or on behalf of any person claiming to be –
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> (a) the owner of the copyright in any works eligible for copyright under this Act stating that –
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> (i) at the time specified herein copyright subsisted in such work;
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> (ii) he or the person named therein is the owner of the copyright; and
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> (iii) a copy of the work annexed thereto is the true copy thereof;
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> shall be admissible in evidence in any proceedings under this Act and shall be prima facie evidence of the facts contained therein.

[10] PW1's statutory declaration can be found at pp 60–118 of Bundle B. In the said statutory declaration, he declares the following facts to be true:

(a) that he is the founder, owner and or director of Xin Xin Engineering and Trading/Xin Xin Engineering Sdn Bhd ('the companies');

(b) that the companies are the joint owners of the copyright of 'Mechanical Glove Stripping Machine-Operation Manual and its enclosures' ('the work'). A detailed description of 'the work' comprised of the followings:

> Operational Manual – Mechanical Glove Stripping Machine, Product Wararnty, Certificate of Warranty of Xin Xin Engineering and Trading, Contents, Standard Equipments, General Information, Maintenance, Railing System, Mechanical Stripping Machine Frame, Certificate of Warranty of Xin Xin Engineering and Trading, Mechanical Glove Stripping Machine, Mechanical Stripping Machine System Layout, the machine individual parts, Y-Guide Bracket, Drive Sprocket Unit & Tensioner Unit, Mechanical Stripping Machine (Air Piping System) Left and Right, Price List.
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> A copy of the operation manual and its enclosures which was annexed to the statutory declaration is the true copy of the work;

(c) the authors of the work are the employees of the companies, namely:

(i) Chee Hong Tow;

(ii) Chan Teng Leong; and

(iii) Wong Thiam Fook.

(d) pursuant to s 7 of the Copyright Act 1987, the work is eligible for copyright protection.

[11] The defendants submit the plaintiffs have not satisfied the threshold under s 42(1)(a)(iii) of the Act in that the plaintiffs have failed to tender the original operation manual and certificate of warranty. In reply, the plaintiffs submit the defendants were wrong for the following reasons:

(a) in the said patent action No 22NCVC-489–04 of 2012, the statutory declaration and its annexures was never challenged. It was marked as exhs D25, D25A and D25B;

(b) this document was in Part B, meaning the authenticity is not disputed but the contents are disputed;

(c) when the maker of the document, Wong Thiam Fook (PW1) gave evidence, the authenticity of this document was not challenged; and

(d) the defendants' reliance on the case of *MediaCorp News Pte Ltd & Ors v MediaBanc (Johor Bharu) Sdn Bhd & Ors* [2010] 6 MLJ 657 is also wrong.

[12] I disagree with the defendants. PW1 has testified that the operation manual contents were authored or created by him and his employees on or about year 2006 and first published in 2007. It was updated with the latest information from year to year until 2012 and continues updated now. He also said the diagrams, rough sketch plans for machine development and assembly for glove machines, glove stripping machine as well as heated oven for glove manufacturing were sketched by him since the 1990's. He further said that he had spent a lot of time, money, effort and research to create the operation manual. In fact in one of his letters to his customer, Kenny Hoe Kok Seong dated 13 August 2012, PW1 had told his customer that he ('PW1') had worked hard to invent the machines. The argument put forth by the defendants is misconceived and baseless. The copy of the operation manual annexed to the statutory declaration is the true copy of the works in the sense that it was authored by the second plaintiff together with his employees. There is no rebuttal evidence from the defendants. Pursuant to s 42(1) of the Act, the plaintiffs have prima facie proof that copyright subsists in the works titled Operation Manual and that the plaintiffs are the owners of the copyright. To hold otherwise not only is contrary to the evidence adduced but would result in grave injustice to the plaintiffs.

INFRINGEMENT OF COPYRIGHT

[13] The plaintiffs alleged their operation manual had been infringed by the fourth defendant. The act of infringement complaint is the fourth defendant had copied the whole operation manual and cancelled the second plaintiff's name and address on almost every page and replaced it with the following name:

(a) 'Xin Xin' is cancelled and replaced with 'Yew Lee', which can represent 'Yew Lee Pacific Manufacturer Sdn Bhd' and 'Yew Lee Pacific Holding Sdn Bhd', the fourth and seventh defendants in this case; and

(b) 'Xin Xin' and its address is cancelled and replaced with 'YLPM' which is the abbreviation of 'Yew Lee Pacific Manufacturer'.

[14] Not only copied, the plaintiffs also alleged the fourth and seventh defendants had no licence to publish the operation manual in the fourth and seventh defendants' name. In furtherance thereto, the plaintiffs also alleged that the fourth, fifth, sixth, seventh and eighth defendants had failed to prevent the act of copying. The burden to prove copying of the operation manual is on the plaintiffs. The second plaintiff (PW1) had testified that the plaintiffs came to know of the copying when the second defendant (DW3) had exhibited the operation manual and certificate of warranty which had the second plaintiff's name cancelled and replaced with the fourth defendant's name (the infringed copy) in the first defendant's application for injunction. It is also PW1's testimony that the fourth defendant's conduct can caused confusion to the public as to who is the author of the operation manual. In cross-examination, PW1 disagree with the following suggestions made by counsel for the defendants:

(a) photocopying the operation manual and certificate of warranty cannot be infringement of copyright;

(b) Xin Xin Engineering & Trading's name was not completely black out; and

(c) anybody reading the operation manual and certificate of warranty knows it was issued by Xin Xin Engineering & Trading.

[15] PW1's testimony was corroborated by the second defendant (DW3). In answer to questions Nos 13 and 23 in his witness statement marked as WSDW3, DW3 admitted that the operation manual titled Mechanical Glove Stripping Machine and the certificate of warranty is under the second plaintiff's name. He also admitted that the first defendant had copied the operation manual and the certificate of warranty. He also admitted the second plaintiff's name in the operation manual and certificate of warranty had been cancelled. According to DW3, the copies were made solely for the purpose of to be used as evidence in the trial of Civil Suit No 22NCVC-489–04 of 2012 and nothing else. But, he cannot explained why the second plaintiff's name had to be cancelled and replaced with the fourth defendant's name.

[16] Learned counsel for the plaintiffs submit, based on the oral testimony of PW1, the plaintiffs have proved the fourth, fifth, sixth, seventh and eighth defendants had infringed the second plaintiff's copyright in the operation

manual and certificate of warranty. Learned counsel for the defendants submit there is no evidence adduced by the plaintiffs to show that the defendants had reproduced the operation manual and certificate of warranty. That argument necessitate this court to refer to English cases which defined the word 'reproduction'. In *Spectravest Inc v Aperknit Ltd* [1988] FSR 161, Millet J defined the meaning of reproduction as follows:

> Reproduction does not mean exact replication. A man may use another's work as an inspiration to make a new work of his own, treating the same theme in his own manner; but he is not entitled to steal its essential features and substance and retain them with minor and inconsequential alterations. The question is whether there is such a degree of similarity between the salient features of the two works that the one can be said to be a reproduction of the other. In considering whether a substantial part of the plaintiffs' work has been reproduced by the defendant, attention must primarily be directed to the part which is said to have been reproduced, and not to those parts which have not.

[17] In *University of Waikato v Benchmarking Services Ltd* [2004] NZCA 90, the New Zealand Court had spelt out the requirements to establish reproduction. This is explained by Randerson J as follows:

> It is common ground that there are three requirements to establish infringement by copying in the form of reproduction:
>
> (a) The reproduction must be either of the entire work or of a substantial part;
>
> (b) There must be sufficient objective similarity between the infringing work and the copyright work, or a substantial part thereof;
>
> (c) There must be some causal connection between the copyright work and the infringing work. The copyright must be the source from which the infringing work is derived.

[18] In *Creative Technology Ltd v Aztech Systems Pte Ltd* [1997] FSR 491, the Singapore Court of Appeal stress the importance of evidential effect of resemblances in inessentials to establish copying. This is what the court says:

> It is instructive to refer to Hoffman J in *Bilhofer Maschinenfabrik GmbH v TH Dixon & Co Ltd* [1990] FSR 105:
>
> > it is the resemblances in inessentials, the small, redundant, even mistaken elements of the copyright work, which carry the greatest weight. This is because they are at least likely to have been the result of independent design.

[19] From the authorities, I find learned counsel for the defendants argument that there is no reproduction by the defendants is not true. In the instant case, I find the original operation manual which can be seen at pp 92–118 of Bundle B are substantially similar to the infringed copy at pp 92–126 of Bundle C. The only difference is at Bundle C, the second

plaintiff's name had been cancelled. This fact conclusively proof that the defendants had reproduced the infringed copy from the original copy. The plaintiffs have proved the defendants had infringed their copyright in the form of reproduction. The only defence raised by the defendants is they had copied them solely for a court case. Hence they submit the reproduction is lawful and could not amount to infringement. They rely on s 13(2)(l) of the Copyright Act 1987 which reads:

> 13(2) Notwithstanding subsection (1), the right of control under that subsection does not include the right to control –
>
> (l) any use of a work for the purposes of any judicial proceedings, the proceedings of a royal commission, a legislative body, a statutory or Governmental inquiry, or of any report of any such proceedings, or for the purpose of the giving of professional advice by a legal practitioner.

[20] The first defendant relied on the first limb of s 13(2)(l) which is the copied operation manual and certificate of warranty was used in a judicial proceedings, namely the patent action and no other purpose. I disagree. Although s 13(2)(l) is to be read disjunctively, but when the whole of s 13(2)(a)–(p) is read, it appears that in order for the reproduction to be lawful, the following conditions must be satisfied:

(a) it is for a lawful purpose;

(b) the source and author of the work must be mentioned; and

(c) there is consent from the copyright owner.

[21] In the instant case, the first defendant had used the second plaintiff's operation manual and certificate of warranty against the plaintiffs to obtain an interlocutory injunction and interfere with the plaintiffs' business. The first defendant's purpose is to cause harm and hardship to the very owner of the copyright and to make profit for themselves. This is not a lawful purpose. The first defendant also did not disclose the true author of the operation manual when they cancelled the second plaintiff's name. In addition to that, the first defendant also had not obtained the consent from the second plaintiff. There was a blatant disregard of the second plaintiff's ownership to the operation manual and certificate of warranty. It is without doubt that none of the conditions is satisfied. As such, I hold the first defendant cannot claim protection under s 13(2)(l). That section is not applicable in this case. DW3 agree that the first defendant issue its own operation manual to their customer whenever they sell their glove stripping machine. If this is true, then the first defendant should be able to produce them in court. But, the first defendant choose not to produce them. Hence, there is a real doubt whether the first defendant had their own operation manual. In the situation the first defendant

put themselves in, I invoke s 114(g) of the Evidence Act 1950 against the first defendant in that if the operation manual is produced, it is the infringed copy. Taking into account all these facts finding into consideration, I conclude that the plaintiffs have proved to the satisfaction of this court that the fourth, fifth, sixth, seventh and eighth defendant had copied and infringed the second plaintiff's operation manual and certificate of warranty as pleaded in the statement of claim. Consequently, they are liable to the plaintiffs.

CONSPIRACY

[22] The plaintiffs also claim damages on the basis of a conspiracy by all the defendants to obtain information from the plaintiffs and thereafter to utilise the said information to design, manufacture, market and distribute a product identical to the plaintiffs' product by using the plaintiffs' operation manual. In *Electro Cad Australia Pty Ltd & Ors v Mejati Rcs Sdn Bhd & Ors* [1998] 3 MLJ 422 at p 449, Kamalanathan J (as he then was) states the law of conspiracy as follows:

> The law of conspiracy consists of an agreement of two or more persons to do an unlawful act or to do a lawful act by unlawful means for the purpose of injuring another whereby the said act results in damage to the other (see *Sorrell v Smith* [1925] AC 700 and *Yap JH v Tan Sri Loh Boon Siew & Ors* [1991] 3 CLJ 2960).

[23] In *MGG Pillai v Tan Sri Dato Vincent Tan Chee Yioun & other appeals* [1995] 2 MLJ 493 at p 515, Gopal Sri Ram JCA (as he then was) expounded the law:

> Conspiracy is a tort that is not always capable of proof by direct evidence. Like so many other facts, an agreement to do an unlawful act or a lawful act by unlawful means may be established by evidence of circumstances from which such an agreement may be inferred: *Barindra Kumar Ghose & Ors v The Emperor* (1909) 14 CWN 1114. It is axiomatic that there must be proof and not mere conjecture.

[24] Applying the law to the facts of this case. The evidential proof of conspiracy in this case is circumstantial in nature. It is an established fact that the fifth defendant ('DW1') and his wife, the sixth defendant ('DW5') have known the directors of the first defendant and the second plaintiff for about ten years. DW1 and DW5 knew the second plaintiff manufacture glove stripping machine and produced an operation manual and certificate of warranty to its customers because DW1 used to order the stripping machine from the second plaintiff for the fourth and seventh defendants' clients. DW1 also had admitted that he had photocopied a copy of the whole operation manual and certificate of warranty and give it to the second defendant ('DW3'). DW1 disagree he had no business to photocopy the operation manual and give it to the first defendant. I find his answer is strange because in the first place, the operation manual was given to him by the second plaintiff for him to hand it over to Sama

Kejuruteraan. The operation manual has got nothing to do with the first and second defendants. So, when DW3 had asked for a copy of the whole operation manual, naturally, DW1 would have asked DW3 the purpose he had wanted the operation manual. It is also probable that because DW1's wife, namely DW5 is one of the director in the first defendant's company, DW3 must have told DW1 that the operation manual is required for the purpose of suing the second plaintiff. Even if it is true that DW1 does not know DW3's intended purpose with the operation manual, his defence of no knowledge is irrelevant to be considered because by his positive conduct of photocopying the whole operation manual, DW1 had abetted or helped the first defendant to sue the plaintiffs. Support for this fact is the abbreviation of the fourth and seventh defendants' name were used in place of the second plaintiff's name. This show the fourth and seventh defendants' had voluntarily participated in the first defendant's scheme to sue the second plaintiff as the owner or author of the operation manual. DW1 is the director in both the fourth and seventh defendants' company. He managed both companies. Therefore, his testimony that he does not know about the injunction and the intended patent action is impossible to believe. How can DW1 led a stranger used fourth and seventh defendants' name without knowing the reasons behind it. Soon after obtaining an injunction order against the second plaintiff, the first defendant had written letters to the second plaintiff's customer not to deal with the plaintiff. The second plaintiff had to stop their business of manufacturing and selling the auto stripping machine. PW1 had testified on the losses suffered by the plaintiffs as a result of the injunction. On the other hand, DW3 had admitted that the first had made a profit of RM2.3m from the selling of its glove stripping machine. Taking into account all these facts, I had no slightest doubt that the plaintiffs have proved that the first defendant could not have sued the plaintiffs without there being a conspiracy between all the defendants. It is impossible for the plaintiffs to identify the role of each defendant in the conspiracy. Consequently, I hold all the defendants are liable to the plaintiffs.

A B C D E F G

BREACH OF CONFIDENCE

[25] In para 48 of its statement of claim, the plaintiffs have pleaded that the fourth, fifth, sixth, seventh and eighth defendants owed a duty of confidentiality to protect the information contained in the operation manual from being used by the first, second and third defendants to threaten the plaintiffs with legal action. Learned counsel for the defendants submits this allegation could not stand for two reasons. First, the fourth, fifth, sixth, seventh and eighth defendants do not owe any fiduciary duty to the plaintiffs. They are not an employees of the plaintiffs. Neither are they directors of the first plaintiff's company. Hence, they do not owe any fiduciary duty or duty of confidentiality to the plaintiffs. Secondly, the information contained in the operation manual and certificate of warranty are not confidential information. As the title suggest, the operation manual guide a customer on how to operate

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the plaintiff's glove stripping machine. The certificate of warranty is to guarantee the product quality to the customer. PW1 has testified that both these documents were given to his customers on purchase of the glove stripping machines. This being the case, the operation manual and certificate of warranty are documents which are easily accessible by the plaintiffs' customers and third parties. As such, it was submitted that these documents cannot be considered as confidential information. PW1 was cross-examined on the second point raised by the defendants. He disagrees that the operation manual did not contain confidential information. In *Electro Cad Australia Pty Ltd & Ors v Mejati Rcs Sdn Bhd & Ors* [1998] 3 MLJ 422 at p 441, Kamalanathan Ratnam J (as he then was) states:

> Confidential information is generally information which is the object of an obligation of confidence and is used to cover all information of a confidential character. This Includes:
>
> (1) Trade secrets.
>
> (2) Literary and artistic secrets.
>
> (3) Personal secrets.
>
> (4) Public and government secrets.

[26] Further down, on the same page, His Lordship listed six factors relevant to determining whether a given body of information is confidential and they are:

(1) the extent to which the information is known outside his (the owner's) business;

(2) the extent to which it is known by employees and others involved in his business;

(3) the extent of measures taken by him to guard the secrecy of the information;

(4) the value of the information to him and his competitor;

(5) the amount of effort or money expended by him in developing the information; and

(6) the ease or difficulty with which the information could be properly acquired or duplicated by others (ie by their independent endeavours).

[27] It is my considered view that factors No 4 and 5 are relevant to be considered in this case. PW1 had testified that the operation manual was created through time, effort, money, ongoing research and his extensive experience. He also said the operation manual is his trade secret and are confidential information. The operation manual is not a piece of paper. It

contains drawings and diagram. There could be no doubt that the operation manual is the plaintiffs' trade secret. This must be so because the first defendant had sued the plaintiffs claiming for patent's right over the same operation manual. Therefore, it is incorrect for the defendants to argue the operation manual is not a confidential information simply because it is easily accessible by any third party. This being the case, the fourth, fifth, sixth, seventh and eighth defendants had no business to allow the first, second and third defendants to have access to the operation manual to sue the plaintiffs. For the unlawful use of the operation manual, I hold the fourth, fifth, sixth, seventh and eighth defendants had breached their duty of confidentiality to the plaintiffs.

EXEMPLARY DAMAGES

[28] One of the relief claimed by the plaintiffs is exemplary damages. The circumstances in which the court awarded this damages is stated in *Rookes v Barnard and Others* [1964] AC 1129 as follows:

(a) of oppressive, arbitrary or unconstitutional acts by government servants;

(b) where the defendant's conduct had been calculated by him to make a profit for himself which exceed the compensation payable to the plaintiff; and

(c) where expressly authorised by statute.

[29] In a recent case of *Microsoft Corp v Conquest Computer Centre Sdn Bhd* [2015] 7 MLJ 243; [2014] 6 CLJ 876, the court awarded exemplary damages of RM200,000 to the plaintiff in an action for infringement of copyright. In the instant case, taking into account the manner the infringement took place and the profit of RM2.3m made by the first defendant from the selling of the glove stripping machine, I hold the defendants must be made liable to pay exemplary damages to the plaintiffs. I was of the view that damages in the sum of RM250,000 is reasonable to show this court's disapproval of the defendants' conduct. I, therefore awarded the sum of RM250,000 as exemplary damages payable by the defendants to the plaintiff.

CONCLUSION

[30] Based on the evidence presented before the court, I am satisfied that the plaintiffs have proved their case against the defendants on the balance of probabilities. As such, I allowed the plaintiffs' claim except for prayers 7, 8 and 15 of the statement of claim with RM40,000 cost to be paid by the defendants to the plaintiffs.

A *Claim allowed with costs of RM40,000.*

Reported by Dzulqarnain Ab Fatar

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